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October 28, 2022

Via ePUC

Holly Anderson, Clerk
Vermont Public Utility Commission
Peoples United Bank Building, 4th Floor
112 State Street
Montpelier, VT 05620-2701

Re: Case No. 20-0203-INV - Investigation into the establishment of reduced rates for low-income residential ratepayers of Vermont electric utilities

Dear Ms. Anderson:

By Order dated October 4, 2022, the Vermont Public Utility Commission requested that utilities provide comment on a statewide low-income support straw model included with the Order, including review of the model's data, assumptions, methodology, and results. The Commission also invited participants to provide modified or alternative models for consideration. Green Mountain Power (GMP) addresses these requests below, and offers additional comment on policy topics related to electric assistance programs.

Other Model Alternatives and Policy Considerations

Below we provide specific response to the data underlying the Commission's straw proposal for a statewide program and comment on some program features not included in that proposal. Ensuring that all Vermonters have access to affordable, clean, and reliable electricity is foundational to our work. The GMP Electric Assistance Program (GMP EAP) has provided support for the most vulnerable of our customers. We recognize that the Commission's straw proposal seeks to bring those benefits to others in the state. We suggest that the Commission further consider the goals the program seeks to fulfill and ways to avoid the inequities that can result for customers who pay for the program but do not qualify for it.

The GMP EAP has been in place for several years. In earlier periods, the program experienced a surplus, leading to a lowering of the fee all customers pay to support it. In the years leading up to and during the pandemic, the EAP has experienced a fund deficit, currently about $2.5M. GMP's EAP will be updated to the 185% of federal poverty eligibility level now called for in Title 30. To support that level of eligibility and help stabilize the fund, GMP will propose returning the residential amount to the level previously collected (back to $1.50/month, from its current $1.00), and raising the amount paid by other customer classes in support of the program. To keep the program stable for the longer term and support robust enrollment at the higher eligibility level, we also will propose that the program offer the current 25% discount for three more years and then lower to 20% going forward after that time for all enrollees. This will continue to provide meaningful financial support for the larger number of customers eligible under the 185% level, without raising costs unsustainably for all customers.

That update will be an important way to help more residential customers who no longer can access COVID arrears assistance put in place by the State of Vermont with the aid of federal dollars. The arrearage forgiveness for new enrollees, a key feature of the GMP EAP, helps ensure this program actually helps customers get out of a cycle of nonpayment. In conjunction with well-functioning disconnection rules, arrearage assistance can help stabilize a customer's finances. In GMP's experience, offering the program only as a bill discount without arrearage forgiveness can create meaningful costs for other customers without addressing accumulated debt that can cause customers to get into a crisis of nonpayment and disconnects. This accumulated debt can continue to grow and result in a cost to all customers if ultimately not collected. Utilizing the arrearage forgiveness can ultimately reduce cost for all other customers while more importantly helping those in need get back on track.

Particularly at this time of economic uncertainty, lingering effects from the pandemic, and higher worldwide energy costs, customers would benefit from any further state or federal funding that does not have the effect of increasing electric bills. GMP is focused on ways to help customers equitably electrify fossil fuel-based energy sources—heating and transportation—to cut carbon and offer long-term affordability for all customers. It is possible that the focus and dollars needed to implement a statewide program of this design would be better deployed on policies that can help with State climate goals and drive down rates for all customers.

<u>Data, assumptions, methodology and results</u>

GMP has reviewed the data incorporated into the Commission model. GMP confirms that the data is accurately reflected, including the utility-specific poverty level percentages assumed in GMP's June 10, 2022, comments in this case. There is one minor transposed number that is inconsequential to model results, but still worth noting: in 2020, GMP residential revenue was $300,643,523, not $300,643,532.

With respect to the model assumptions and methodology, we note that the GMP average residential bill in the model is overstated if one assumes that the discounted rates would only apply to a participant's primary rate schedule as is the case with the current GMP EAP. This is because revenue from secondary rate schedules (e.g., Rate 3, 13, 72 & 74) and street lighting is included in the calculation while dividing by a customer count that excludes these rate schedules.

Conversely, the GMP average residential bill (and that of other utilities as applicable) is understated due to the model's use of five-year averages rather than current rates. Residential Rate 1 is the predominant rate schedule that EAP participants receive a 25% discount from. For calendar year 2021, Rate 1 revenue was $273,980,309 and Rate 1 sales were 209,679 MWh, resulting in an average monthly Rate 1 bill of $108.89. Recent base rate changes for GMP and other utilities (and further changes over time) would change the exact figures and therefore the modeled results. The results would require additional revenue, and therefore a higher customer charge, to meet the modeled targets. The projected results for GMP are included in the attachment we have provided.

We note that Column J of the PUC's model ($ bill impact, aka EAP Fee) is using all customers and calculating one EAP Fee across customer classes. This is a design difference to the GMP EAP which includes a monthly amount for commercial and industrial customers scaled to their usage and as ordered by the Commission in setting up GMP's program. This is a program design decision we would like to see continue.

We also note that Column L (participant bill impacts) discounts the EAP Fee by 25%. The annual revenue needed (Column I) does not reflect the revenue needed to discount the EAP Fee for participants. It either needs to be included in the revenue needed to support the benefit, or the EAP Fee should not be discounted. In the approved GMP EAP, participants are responsible for paying the full EAP Fee.

Finally, we note that the statewide pooling values in I30 and J30 are not calculated accurately. The total of all utilities' annual revenue needed is $6,693,911, not $6,813,086. A corrected annual revenue needed value and a corrected statewide EAP Fee are shown in cells I33 and J33, respectively. This is verified when the statewide EAP Fee is multiplied by each utility's total customers in Column N resulting in $6,693,911 EAP Fee revenue produced.

With respect to model results, we have added two new columns to the model to explore the statewide pooling concept in more detail. Column N calculates the amount of revenue each utility would produce if they charged customers the stated statewide weighted-average EAP Fee of $1.49/month. Column O shows the transfer of funds from utility to a sharing pool and vice versa, assuming the various assumptions are accurate and hold equally for all utilities. For example, differences in participation rate and actual poverty levels by territory will impact whether any particular utility's customers contribute through collected fees more or less than that utility's total program costs, in the Commission's model. As modeled by the PUC, GMP customers would generate $4,761,760/year in EAP Fees and send $50,249/year to the sharing pool for other utility customers.

Program Administration Costs and Other Program Feature

As noted in the Commission's Order, program administrative costs necessary to process applications and verify eligibility for EAP participation were not included in the model. Inclusion of these necessary costs would raise the required monthly EAP Fee. As reported in GMP's annual program reports each March 31, GMP's program administration has averaged just over $200,000 per year for the 2019–2022 program years, mainly due to the necessary income verification that the Department for Children and Families (DCF) performs on EAP applicants. We note that moving to an eligibility criterion of 185% of the federal poverty level will increase the intake and processing activity for our program partner. While we hope that matching that income level with other assistance programs will drive some administrative efficiency, we expect the annual amount to enroll more customers may cause the program administration costs to be higher.

GMP also notes that the Commission model does not include an arrears forgiveness element to the program design. GMP's EAP arrears forgiveness rules have varied over the program's existence but have contained a provision that upon initial enrollment in the EAP, full arrears forgiveness for participants would be funded by EAP Fee revenue. This element is viewed as critical for encouraging customer interest in signing up, and a key tool in getting customers back on track.

Thank you for the opportunity to comment on the Commission's straw proposal. We look forward to further discussion and suggest that a workshop or hearing would be an appropriate next step.

Please let me know if you have any questions or I can be of further assistance.

Sincerely,

Scott Anderson
Manager of Rates

cc: Service List *(via ePUC)*